

STATE FLEXELECT PROGRAM DEPENDENT CARE REIMBURSEMENT ACCOUNT FREQUENTLY ASKED QUESTIONS

Q&A:

1. What is a Dependent Care Reimbursement Account (DCRA)?

It is an option offered to State employees under the State's FlexElect Program and governed by the Internal Revenue Code (IRC) Section 125. Expenses for child care, elder care, and care for a disabled dependent are reimbursable if the care is necessary for you to work. This is funded by monthly pre-tax payroll deductions from your paycheck. The money you contribute to a dependent care reimbursement account is not taxable, which means you'll pay fewer taxes than you would if this money is counted as taxable income.

If you're married, your spouse must also work, unless he or she is a full-time student or physically or mentally incapable of caring for himself or herself.

2. How much can I put into a DCRA account?

- at least \$240 per year (i.e. \$20 a month), and
- no more than \$5,000 per year per household (\$2,500 for a married individual filing a separate tax return).

3. May I use the DCRA for any dependent?

Expenses for your children, elder care, and care for a disabled dependent are reimbursable if the care is necessary for you to work. Your child must be a dependent under the age of 13 when the child care is provided. (There is no age limit if your child is disabled.)

4. Who can enroll in a DCRA?

You're eligible to enroll in a DCRA if you have a permanent position that is half time or more. If you have a temporary position, you're eligible if you have a mandatory right of return to a permanent position that is half-time or more.

If you're a Permanent-Intermittent employee, you're **not** eligible to enroll in the DCRA.

5. When may I enroll?

The first opportunity to enroll in a DCRA is within 60 days of becoming “newly eligible”. However, for many employees the typical time to enroll is during the annual fall open enrollment period. The open enrollment period is normally held from September 1 – October 15.

You’re newly eligible if:

- you’re a new State employee hired after the open enrollment period;
- you were on an approved leave of absence during the entire open enrollment period;
- you experience a change in status described in the FlexElect handbook that permits you to enroll as newly eligible; or
- your time base/employee designation changes from one that was ineligible to one that is eligible, or you change from a Permanent-Intermittent position to a permanent position with a time base of half-time or more.

6. How do I enroll?

You need to complete the Reimbursement Account Enrollment Authorization (STD. 701R). The STD. 701R is available in the FlexElect Program Handbook, from your Personnel Office, and also on the Department of Personnel Administration’s (DPA) web site at www.dpa.ca.gov (click on *Benefits*, then follow the prompts for *FlexElect, Related Forms*).

7. When is my enrollment effective?

If you’re newly eligible and want to enroll in a DCRA, you must submit the enrollment form to your personnel office within 60 days of becoming newly eligible. Correctly completed forms received at the State Controller’s Office by the 10th of the month are effective the 1st of the following month. If you enroll during the annual open enrollment period, then your effective date is the first of the following year, on January 1st.

8. Is there a cost to be enrolled?

If you enroll in the DCRA, a \$1 fee is deducted from your after-tax salary each month.

9. How do I get reimbursed?

An expense is incurred on the date the service is provided, not when billed or paid.

1. Fill out the Reimbursement Claim Form. (You’ll receive a supply of claim forms in the mail before the plan year starts, with a complete set of instructions.)
2. Attach a statement signed by your provider **or** have your provider sign in the space provided on the claim form. If you attach a statement, it must show the provider’s name, beginning and ending dates of the dependent care service that was provided, the amount, and the provider’s tax I.D. or Social Security Number.
3. Mail your completed Claim Form and required documentation to Application Software, Inc. (ASI), the record-keeper for FlexElect.

10. How often may I submit a claim form?

You may submit claims as often as you like. If you pay your provider in advance, such as paying a daycare provider on the first of the month for that month's daycare, you may prefer to submit your claims every week or two rather than waiting until the end of the month. There are three payment cycles for processing valid reimbursement claims:

- If ASI receives your claim by the 1st of the month, your reimbursement check will be issued between the 14th and 16th of that month.
- If ASI receives your claim by the 10th of the month, your reimbursement check will be issued between the 24th and 26th of that month.
- If ASI receives your claim by the 20th of the month, your reimbursement check will be issued between the 3rd and 5th of the next month.

11. Can I cancel or change my deduction amount at any time?

Once you enroll in the DCRA, you can't cancel or change your enrollment during the plan year unless you experience a change in status, called a "permitting event" (e.g., birth of child, divorce, loss of employment, change in provider). There is a complete list of the "permitting events" in the FlexElect Program Handbook.

12. Can I use both the DCRA and the IRS Child Care Tax Credit?

No. Depending on your income level, amount of dependent care expenses, and other factors, you may find that a reimbursement account provides a lesser tax advantage than claiming the tax credit on your federal tax return. Before enrolling in a reimbursement account, you may wish to consult a tax advisor and/or review IRS Publication 503 if you're not certain which method works best for you. (DPA's web site provides a link to IRS Publication 503, click on *Benefits*, then follow the prompts for *FlexElect*, *Related Publications*.)

13. What happens if my funds are not used in a Plan Year?

The IRS rules state that you "use it or lose it." So any funds left in the account are lost. However, you do have until June 30 of the next year to request reimbursement. For example, if you participate in 2003, you have until June 30, 2004 to request reimbursement for 2003 expenses.

14. Where can I get more information?

If you need more information, check with your Personnel Office to obtain a copy of the FlexElect Handbook or visit DPA's web site at www.dpa.ca.gov (click on *Benefits*, then follow the prompts for *FlexElect*). (A link to the FlexElect Handbook is located under *Related Publications*.)

If you're already enrolled in a FlexElect account and have questions about your account, call **1-800-659-3035** to speak with a customer service representative from Application Software, Inc. (ASI), the FlexElect program's record keeper. ASI processes claims and provides customer service for the FlexElect reimbursement accounts. You also can e-mail ASI at asi@asiflex.com, visit its Web site at www.asiflex.com (DPA's web site provides a link to ASI's web site, click on *Benefits*, then follow the prompts for *FlexElect*, *ASI – Record Keeper*), or access its 24-hour automated phone system at **1-800-366-4827**.